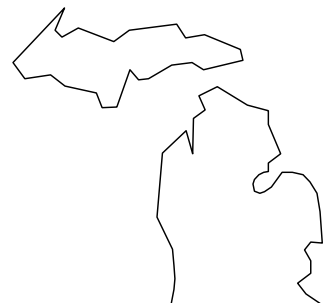


DEPARTMENT OF COMMUNITY HEALTH

**FOLLOW-UP REVIEW
OF THE MT. PLEASANT CENTER
OAG PERFORMANCE AUDIT**

Michigan Department of Community Health
Office of Audit





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DIRECTOR

December 19, 2008

Ms. Janet D. Olszewski, Director
Department of Community Health
Capitol View Building, 7th Floor
201 Townsend Street
Lansing, Michigan 48933

Dear Ms. Olszewski:

This is our report on the results of our follow-up review of the findings and recommendations contained in the Office of the Auditor General's Performance Audit of the Mt. Pleasant Center.

This report contains an introduction; background information; review scope and methodology; and follow-up conclusions.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,



Pam Myers, Director
Office of Audit

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INTRODUCTION

This special report contains the results of our follow-up review of the findings and recommendations reported in the Office of the Auditor General (OAG) Performance Audit of the Mt. Pleasant Center (Center) for the period of October 1, 2003 through June 30, 2006. The OAG report contained 12 findings and 19 corresponding recommendations. The Department of Community Health's (DCH) preliminary response indicated that DCH and the Center generally agreed with all 19 recommendations.

PURPOSE

The purpose of this follow-up review was to determine whether DCH had taken appropriate steps to comply with the recommendations made in the OAG Audit Report.

BACKGROUND

The Center is an intermediate care facility for individuals with developmental disabilities. The Center classifies patients as Medicaid eligible, non-Medicaid eligible, and incompetent to stand trial.

The Center, located in Isabella County, originated as the Michigan Home and Training School in 1934 to provide services to young men who had a mental illness. The Center's name was changed a number of times from its formation until it assumed its current name in 1995. Over the years, the Center's focus also changed as it made the transition to becoming an intermediate care facility serving individuals with developmental disabilities. In August 2001, the Southgate Center discontinued providing care to individuals with developmental disabilities, leaving the Center as the only State-operated facility serving these individuals.

The Center's mission is to empower individuals to achieve independence and personal aspirations. The purpose of the Center is to provide short-term, residential-based supports and

services to individuals with developmental disabilities until a viable community option is available.

The Center, as of June 2006, had the capacity to treat 272 patients. For fiscal years 1997-98 through 2004-05, the Center had an average daily census of 191 patients. The Center's campus consists of 26 buildings, of which 3 are open residential units; 16 are used for maintenance, client services, administration, power generation, or staff housing; and 7 are closed.

The Center subscribes to the person-centered planning process to treat patients. This process is designed to enable patients to acquire, improve, and maintain skills leading toward greater independence. The Center is a certified participant in the Medicaid Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) Program. This certification allows the Center to be reimbursed by Medicaid for services provided to ICF/MR Program eligible patients. ICF/MR program eligibility is based on the assessment of patient's deficiencies with completing daily living skills. As of September 30, 2007, the Center had 155 patients, of whom 116 (75%) were ICF/MR program eligible.

For fiscal year 2006-07, the Center had operating expenditures of \$40 million, of which 87% were personnel costs. As of September 30, 2007, the Center had 432 employees.

REVIEW SCOPE AND METHODOLOGY

Our review procedures were of limited scope; therefore, they should not be considered an audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Our review procedures were performed September through October of 2007, and included an examination of policy updates, interviews with applicable DCH staff, and examination of supporting documentation as deemed necessary.

FOLLOW-UP REVIEW RESULTS

1. Center Monitoring Activities

The Center needs to improve its monitoring of patient services to help ensure that the Center complies with patient treatment plans, Center policy, and State law and federal regulations. Improved monitoring of patient services would also help the Center identify and resolve patient service deficiencies on a timely basis and help ensure that it provides services to patients in a safe environment.

Recommendation

The Center improve its monitoring of patient services to help ensure that the Center complies with patient treatment plans, Center policy, and State law and federal regulations.

DCH Preliminary Response

DCH and the Center agreed in principle with the recommendation and intend to continue efforts to improve its monitoring of patient service activities to help ensure compliance with patient treatment plans, Center policy, and State and federal laws. However, given the general nature of these patients, as the finding describes, there is no level of monitoring possible that would ensure the complete elimination of incidents involving patients. The Center will reinforce its commitment to provide the highest level of care to its patients and that commitment will be communicated to the entire patient care staff. The Center will initiate a review of all of its current monitoring programs and practices related to patient services. The results of the review will be used to identify and implement revisions to current practices as necessary to help improve efforts to serve its clients in a safe and secure environment in accordance with the patients' plan of treatment. Completion is expected by May 1, 2007.

Follow-up Review Conclusion

The Center has complied with this recommendation.

The Center completed a review of its monitoring programs and practices related to patient services. They developed and implemented new monitoring tools to ensure compliance with patient treatment plans, Center policy, and State and federal laws. This monitoring includes periodic oversight of direct care staff interactions with patients. A monitoring schedule has been developed and the use of these new monitoring tools is being evaluated and adjustments will be made as needed.

We learned that the Center had only one critical incident in FY 2006/2007. We reviewed the documentation of the incident and believe that it was handled appropriately and in accordance with policy. Inadequate or ineffective policies and monitoring activities were not a contributing factor in this particular incident.

2. Training Practices

The Center did not ensure that direct care staff received the training as required by Center policies and procedures. Also, the Center had not updated its training policies and procedures to help ensure that its training program meets the Center's operational needs. In addition, DCH, in conjunction with the Center, had not developed an overall training strategy which would help the Center document its training practices. A documented overall training strategy would help provide some assurance that the Center provides its direct care staff with all necessary training.

Recommendations

THE CENTER ENSURE THAT DIRECT CARE STAFF RECEIVE THE TRAINING AS REQUIRED BY CENTER POLICIES AND PROCEDURES.

The Center update its training policies and procedures to help ensure that its training program meets the Center's operational needs.

DCH, in conjunction with the Center, develop an overall training strategy which would help the Center document its training practices.

DCH Preliminary Response

The Center agreed that its direct care staff did not receive the number of required hours of training as specified by the Center's policies and procedures. The Center also agreed that its training policies and procedures need to be updated to meet current operational needs. The Center, in conjunction with DCH central office, has taken steps to review and revise the Center's training policies and procedures to ensure that training needs are met and training complies with State and Federal regulations. DCH and the Center will review training requirements of similar health care providers to determine what is appropriate. The Center expects to have policies and procedures updated by May 1, 2007.

Follow-up Review Conclusion

The Center has not fully complied with these recommendations.

To help ensure that its training program meets the Center's operational needs, the Center developed new policies and procedures for training, effective September 24, 2007; however, it did not take steps to ensure that direct care staff received all the training required by the newly developed policies and procedures. Because the old policies had training requirements that exceeded state and federal guidelines, the newly developed policies do not require as many hours and were designed to comply with state and federal requirements. Although the new training policies had not been in place for a full year, we compared the training records for 15 employees against the new requirements. We found that 4 (27%) employees did not have the required number of training hours.

While the Center has updated its policies, DCH, in conjunction with the Center, has not developed an overall training strategy which would help the Center document its training practices.

3. Person-Centered Planning Process

The Center did not complete all patients' comprehensive evaluations and person-centered plans (PCPs) on a timely basis. Also, the Center did not document that all patients were provided the opportunity to participate in all aspects of the person-centered planning process. In addition, the Center did not incorporate measurable treatment plans or discharge goals into all PCPs.

Recommendations

The Center complete all patients' comprehensive evaluations and PCPs on a timely basis.

The Center document that all patients are provided the opportunity to participate in all aspects of the person-centered planning process.

The Center incorporate measurable treatment plans and discharge goals into all PCPs.

DCH Preliminary Response

The Center agreed with the finding and corresponding recommendations. Beginning in May 2006, the Center determined that all patients are to receive planning and services utilizing the same person-centered planning process, including assessments and time lines. This is being accomplished for all newly admitted persons and is being phased in for all current patients based upon their PCP date. This model and expectations include completion of comprehensive evaluations and PCPs on a timely basis, patient participation in the PCP process, and inclusion of measurable treatment plans and discharge goals.

Follow-up Review Conclusion

The Center has complied with these recommendations.

The Center tracks the PCPs on a database to ensure that annual reviews are performed on a timely basis. In addition, the Center established a Program Review Committee which meets once a month. The committee reviews a random sample of PCPs to ensure that each

patient's training objectives are thorough; that the objectives are stated in behavioral terms that are quantifiable; and that the objectives are stated in sequence and are individualized.

We received a listing of patients admitted to the Center since 5/1/2007 and made a selection of three patients to review their patient file. We reviewed their patient files to ensure:

- Assessments were completed within 30 days of admission by the interdisciplinary team
- Individual plans of service were completed within 28 days of admission
- Patients were allowed to participate in all aspects of the PCPs
- Measurable treatment plans or discharge goals were incorporated into all PCPs.

All three of the patient files reviewed were completed appropriately and in a timely fashion.

4. Dental Care

The Center did not complete required dental examinations on all Medicaid eligible patients. As a result, the Center could not ensure that patients received dental care as required by federal regulations. Also, the Center, in conjunction with DCH, had not developed a policy describing the procedures to follow if a patient refuses treatment.

Recommendations

The Center complete required dental examinations on all Medicaid eligible patients.

The Center, in conjunction with DCH, develop a policy describing the procedures to follow if a patient refuses treatment.

DCH Preliminary Response

The Center agreed with the finding and corresponding recommendations. Many of the Center's patients require sedation for even the most basic dental procedures. The dentist hired in June 2005 did not have the necessary qualifications to administer intravenous (IV) sedation until he completed the necessary training. On April 30, 2006, he completed that

training and became fully certified to administer IV sedation. Annual dental exams are now being performed on those patients that consent to treatment. The Center is exploring options for obtaining consent and will develop written policies and procedures for addressing these situations. The Center expects these policies to be implemented by May 1, 2007.

Follow-up Review Conclusion

The Center has not substantially complied with these recommendations.

We learned through discussion with staff that the Center has not developed a policy in conjunction with DCH describing procedures to follow in the event that a patient refuses treatment. The Center's dentist has completed the necessary training to administer IV sedation, but there remains some difference of opinion over when and how this sedation can and should be used.

We reviewed the Center's dental records to determine if the Center provided treatment to Medicaid eligible patients on a timely basis:

- We selected eight Medicaid eligible patients admitted in the past year and found that one did not receive a complete dental examination within one month of admission. This one exception was due to the patient's refusal of dental services. The other seven patients received a complete dental examination within the required time frame.
- We selected 11 Medicaid eligible patients and found that 4 did not receive annual dental examinations. Only 1 of the 4 that did not receive the examination was attributed to the patient refusing services.

5. Complaints

The Center, in conjunction with DCH, had not established procedures that would allow Center staff to submit complaints relating to Center operations for consideration and investigation.

Recommendation

The Center, in conjunction with DCH, establish procedures that would allow Center staff to submit complaints relating to Center operations for consideration and investigation.

DCH Preliminary Response

The Center agreed with the finding and corresponding recommendation. The Center will develop a formal process, in conjunction with DCH, for staff to submit written complaints and suggestions. The Center expects these policies and procedures to be implemented by April 2007.

Follow-up Review Conclusion

The Center has complied with this recommendation; however, DCH has failed to comply with its general policy regarding quarterly meetings of the complaint committee.

DCH has developed, established, and implemented a general policy that provides guidance on a departmental level for handling various complaints. A committee has been established that is to meet at least quarterly, to track, monitor, and ensure the appropriate handling of complaints. However, this committee has not met since December 2006. The director of the Bureau of Resource Services has been designated as the committee chair. In addition, the Center developed their own internal policy, effective August 1, 2007, that details how the Center intends to handle complaints.

We selected and reviewed two complaints to determine if they were handled appropriately. Our review indicated that the complaints were handled in accordance with policy in effect at the time. One of the two complaints examined was initiated based on an incident report (alleging patient to patient inappropriate sexual contact) at the direction of the Center's Director. Based on our review of the incident report, we believe that the complaint represented a potential recipient rights violation that should have been forwarded to a recipient rights advisor for further investigation. Further discussion with the Center's Office of Recipient Rights staff indicated that they received a copy of the incident report, but did not initiate an investigation.

6. Controls Over Inventories

The Center had not established effective controls over its inventories. As a result, the Center had not recorded balances for all inventories and thus could not account for all inventories on hand or ensure that inventories were properly controlled and safeguarded.

Recommendation

The Center establish effective controls over its inventories.

DCH Preliminary Response

The Center agreed with the finding and corresponding recommendation. The Center will establish policies and procedures regarding inventories of commodities and other items susceptible to theft. A requisition procedure will be developed to control and issue certain materials and supplies used by maintenance staff and an inventory of tools issued to each maintenance person will be maintained and verified through an annual inventory. A system will be developed to document the receipt of and distribution of items transferred from other facilities, depending on the value of the items received. Controls implemented will be weighed against the cost of implementing the control. The Center expects the policies and procedures will be developed by May 2007.

Follow-up Review Conclusion

The Center has complied with this recommendation.

The Center has established effective controls over its inventories. The Center has maintained accurate inventory counts of warehouse supplies, food, tools, maintenance supplies, and other items susceptible to theft. The Center has established policies and procedures regarding inventories of commodities and other items susceptible to theft. A requisition procedure was developed to control and issue certain materials and supplies used by maintenance staff and an inventory of tools issued to each maintenance person is maintained and verified through a quarterly inventory. A system is in place to document the receipt of and distribution of items transferred from other facilities, depending on the value of the items received. It is the Center's intent to treat any inter-agency transfers of

equipment to the agency as if they were acquisitions and follow routine tagging and inventory procedures. The Center has not received or transferred any items to/from the facility since the last audit was performed. Testing performed of inventories in the warehouse, food services, and maintenance department indicated that the items were handled and accounted for appropriately.

7. Biennial Internal Control Assessment

The Center did not effectively complete its biennial internal control assessment. As a result, the Center excluded some control activities that it should have assessed, did not identify whether control activities adequately reduced risk associated with significant operating functions, and did not identify material conditions associated with the Center's significant operating functions.

Recommendation

The Center effectively complete its biennial internal control assessment.

DCH Preliminary Response

The Center agreed with the finding and corresponding recommendation.

Additional training has been provided in preparation for the next assessment. Specific control activities designed to mitigate risk for the various operating functions will be identified, monitoring activities for each control will be identified, and a conclusion will be made regarding the sufficiency of the control activities. While the Center would strive to identify and address material weaknesses as part of its assessment, it is not realistic to anticipate in advance conclusions that may be reached as a result of a complete audit conducted subsequent to the completion of the assessment.

Follow-up Review Conclusion

The Center has partially complied with this recommendation.

The Center has identified specific control activities for each of the nine significant operating functions identified in the assessment. The Center has identified monitoring activities for each control and, where possible, included conclusions regarding the effectiveness of the controls. However, the adequacy of some of the newly implemented controls has not been determined because the controls have not been operational long enough to evaluate their effectiveness. The Center has not identified any material weaknesses in the latest assessment. While it is our opinion that it is unrealistic to expect any facility to identify each and every situation that may lead to a material weakness, a thorough assessment process should have identified at least some of the control weaknesses identified by the OAG's most recent audit. While DCH directed the assessable units to identify and address material conditions from the most recent audits, it is our opinion that DCH did not provide adequate instruction to all participants in the biennial internal control evaluation (BICE) process to ensure that any identified internal control weaknesses were addressed in the assessment, not those just identified in an audit report. Because the OAG audit was not issued before the assessment was completed, the material weaknesses included in the audit were not identified and included in the assessment. This issue should be resolved and the weaknesses addressed in the next assessment.

8. Medication Purchases and Utilization

The Center did not implement controls to ensure that it efficiently purchased and used medications distributed by the Center's pharmacy. As a result, the Center could not ensure that it purchased medications at the lowest cost or prevented staff from allowing medications to expire before the Center used the item.

Recommendation

The Center implement controls to ensure that it efficiently purchases and uses medications distributed by the Center's pharmacy.

DCH Preliminary Response

The Center agreed with the finding and corresponding recommendation. Procedures will be implemented to ensure that medications are purchased in quantities providing the best available value. The issue concerning expired medications in the overnight cabinet has been referred to the Pharmacy and Therapeutics Committee and is also being addressed by the DCH Pharmacy work group looking at the inventory control issue. Until an effective inventory control system is established, the pharmacist will evaluate the number of medications in the overnight cabinet and will consider instituting a regular after hours medication supply replacement program. Returns from the overnight cabinet will be returned to the regular pharmacy stock.

Follow-up Review Conclusion

The Center has substantially complied with the recommendation with respect to efficiently purchasing medications, but has only partially complied with the recommendation that it implement procedures to ensure that medications maintained in the overnight cabinet are returned to the pharmacy before the expiration date for redistribution.

We judgmentally selected 11 medications from the Bergen Brunswick Ongoing Inventory Analysis Report dated October 5, 2007, to determine if purchases were made at the lowest cost. Three of the medications we selected had significant price differences depending on how the medication was packaged. For two of the medications, there was a significant price difference depending on whether the medication was purchased in bulk (bottles of pills) or as a unit dose. Only the unused unit dose packages returned from the units can be reused. We could not quantify which practice would be more cost effective without knowing the number of pills returned unused or the cost to the Center if they were to package the pills themselves in unit dose packages (as some facilities do). For the third medication we found the 60 pill container was cheaper than a 100 pill container. The pharmacy also found that to be the case, prior to our review, and had been ordering only the 60 pill containers.

We also selected 10 medications from the 22 highest dollar value purchases for the year. For one of the medications, we discovered that a generic alternative, clozapine, was available as a substitute for the brand name drug, Clozaril. The Center could have saved \$19,295 FY 06/07 by using the generic version of this drug. We were informed that some doctors prefer to prescribe the brand name instead of the generic alternative, in spite of an assertion that they are effectively the same medication. It was suggested that DCH consider developing a policy requiring the use of generic brand medications unless justification for use of a more expensive alternative is provided by the prescribing physician.

In another effort to ensure that medications are purchased in quantities providing the best value and to ensure unnecessary medications are not purchased, the Center is ordering selected medications on a just-in-time basis. The pharmacy distributes a 28 day supply of medications to a unit when making a cart fill. The pharmacy maintains just enough of these high use/high cost medications to complete the weekly cart fill. The units are staggered over a four-week period with each unit receiving a cart fill every four weeks. The pharmacy developed a listing of 32 high cost medications that are commonly distributed to the units contained on the Pharmacy Main Order List. The total medications listed on the Pharmacy Main Order List were approximately 79% of total purchases for FY 06-07.

In response to the finding relating to expired medications, the Center adopted a procedure that requires the pharmacy to monitor the expiration dates of all medications kept in the after hour cabinet. The list of medications is to be reviewed by the pharmacy and therapeutics committee. Drugs that are going to expire soon are to be returned to the pharmacy for immediate use. While this policy/procedure was adopted as recommended by the OAG, we were unable to confirm whether or not inspections of the after hours cabinet were regularly performed. The only documented inspection occurred in December 2006. We were told that the inspections occurred on a quarterly basis and the results shared with the doctors, but they were not documented.

9. Medication Refunds and Rebates

The Center did not reconcile refunds for medications to supporting documentation. Also, the Center did not reconcile vendor rebates with pharmaceutical sales totals. As a result, the Center could not determine if it received refunds for all returned medications or if rebate amounts were accurate.

Recommendations

The Center reconcile refunds for medications to supporting documentation.

The Center reconcile vendor rebates with pharmaceutical sales totals.

DCH Preliminary Response

The Center agreed with the finding and both recommendations.

The Center will develop and implement procedures requiring a comparison of refunds received for returned medications to supporting documentation. Material discrepancies will be investigated to ensure that the Center is receiving the appropriate credit. The Center will verify the accuracy of any rebates received by confirming the amounts versus pharmaceutical sales totals. Procedures will be developed and implemented requiring this comparison. Material differences or discrepancies will be investigated.

DCH Follow-up Conclusion

The Center has not fully complied with these recommendations.

While the Center agreed with the first recommendation, we found that it cannot completely comply because the estimated dollar amounts returned per the Guaranteed Returns manifests cannot be accurately reconciled with the actual amount of money/credit received. The credit memos provided by Amerisource Bergen do not identify which drug(s) are being credited or even identify which company it is coming from. The only information provided is a reference number of the credit that matches the number on the Guaranteed Returns manifest. No other return specific information is included. Facilities have made

attempts to request more specific information without success. In addition, the Guaranteed Returns manifests only provide an estimated amount of what they believe will be accepted from the manufacturers and an estimate of the amount to be refunded.

The Minnesota Multistate Contracting Alliance for Pharmacy (MMCAP) contract states that the vendor (Guaranteed Returns) service fee is 6.9%, based on actual credits received from the manufacturer. During the Center's extensive reconciliation attempts it was determined that Guaranteed Returns is taking their percentage based on their initial estimated returns, which have been higher than the actual amounts received in the vast majority of returns reviewed. In addition, the Center found at least one pharmaceutical company that does not give any credit for returned medications, even though a return credit was estimated by Guaranteed Returns. In lieu of a service fee based on the amount of the actual credit, Guaranteed Returns calculated and charged the Center a service fee, which is not provided for in the contract. Difficulties in the reconciliation process may also be compounded due to differences in the counts by the Center and Guaranteed Returns. Guaranteed Returns estimates the amount of medications in open bottles of non-controlled items. For an additional charge of \$19.95 per hour (per the MMCAP contract) the Center may request a full inventory of all non-schedule products picked up by Guaranteed Returns. This service is not currently being utilized by any DCH facility.

The MMCAP contract also has a provision that states: "Pursuant to Minn. Stat. § 16C.05, subd. 5, the [Vendor's] books, records, documents, and accounting procedures and practices relevant to this contract are subject to examination by MMCAP and/or the State Auditor or Legislative Auditor, as appropriate, for a minimum of six years from the end of this contract." It is unknown if any audits have been conducted.

The Center no longer receives any vendor rebates for purchased medications. Therefore, that recommendation is no longer applicable.

10. Patients' Personal Property

The Center had not established effective controls over its patients' personal property.

Recommendation

The Center establish effective controls over its patients' personal property.

DCH Preliminary Response

The Center agreed with the finding and corresponding recommendation

The individual property inventory policy and procedures will be refined and the policy will increase the frequency of the inventories to one per quarter and will require an inventory of personal property on the day of admission. When individuals are discharged or transferred a final inventory will be conducted and the receiving agency will document receipt of the property. The Center expects to have these revised policies and procedures implemented by May 2007.

Follow-up Conclusion

The Center has partially complied with this recommendation.

We obtained and reviewed copies of the recent personal property and funds policy for the Center. In addition we obtained and reviewed the Center's procedures for handling patient property. The Center's policy conflicted with the Center's procedure. The policy required an inventory of property in excess of \$100 in value once every four months. The procedure requires a monthly inventory of the same property. In practice, the facility is performing monthly inventories of the property.

We selected a sample of patients to determine compliance with the Center's inventory policies at the time of admission/discharge, as well as the inventories routinely performed of clothing, property, and personal grooming supplies. We found no exceptions with the inventories of the five discharge patients that we reviewed. Of the five admission inventories we reviewed, we found one that did not have the proper signatures.

For the routinely conducted inventories of 8 current patients selected for review, we found 1 clothing inventory missing out of 24 reviewed. We also found 3 property inventories missing out of 15 inventories reviewed. Finally, we visually confirmed the existence of all 16 items selected from the property inventory forms for 5 patients. There were 3 patients who had no property valued in excess of \$100.

11. Inventory of Noncontrolled Substances

The Center had not established effective inventory controls over all medications. As a result, the Center could not verify medication inventory levels or account for noncontrolled substances that it purchased.

Recommendation

The Center establish effective inventory controls over all medications.

DCH Preliminary Response

The Center agreed with the finding and the corresponding recommendation. A workgroup has been established by DCH to review the issue and provide recommendations for implementing an effective inventory control program. A joint effort among DCH, the Department of Corrections, the Department of Military and Veteran Affairs, and the Department of Information Technology involving an electronic medical care system is currently under discussion. This system would include a pharmacy inventory and management component.

Follow-up Review Conclusion

The Center has partially complied with this recommendation.

In July 2006, the Center started receiving the Bergen Brunswig Drug Company Ongoing Inventory Analysis Reports that list all of the medications, sorted by dollar amount, purchased during the past twelve months. A physical inventory of the top ten medication purchases, accounting for over 50% of the total purchases according to the July and August

2006 reports, was conducted on Friday, September 29, 2006. They continued to maintain a perpetual inventory of these top ten medications beginning October 1, 2006. The medications were all non-controlled substances. We were informed that these reports were helpful in providing the Center with information used to identify and substitute some of the medications with less expensive generic brands (Finding 8). Beginning in January 2007, two additional drugs were added to the inventory when the total purchases of the initially selected top ten drugs had gradually dropped to under 50% of total expenditures. We conducted a count of all 12 medications and compared them to the inventory sheets. Our count matched the inventory sheets without exception. The Center adopted a procedural guideline regarding the inventory of these drugs. The procedure limits the number of drugs inventoried to 12, because of the time involved required to maintain a paper inventory system.

An electronic inventory control system has not been approved, nor has funding been authorized for such a system. The DCH has submitted a Request for Information to the Department of Management and Budget regarding the joint efforts discussed in the preliminary response; however, funding for a project of this type is unavailable at this point in time due to budget constraints.

12. Procurement Card Approvals

The Center did not ensure that cardholders obtained supervisory approval prior to completing procurement card purchases. Also, the Center did not ensure that accounting department staff approved the transaction logs used to track procurement card purchases on a timely basis.

Recommendations

The Center ensure that cardholders obtain supervisory approval prior to completing procurement card purchases.

The Center ensure that accounting department staff approve the transaction logs used to track procurement card purchases on a timely basis.

DCH Preliminary Response

The Center agreed with the finding and the corresponding recommendations. The Center has revised its policy and procedures for procurement card purchases to require prior written approval from a manager or verbal approval followed up with written approval within 24 hours of purchase. Procedures were also implemented requiring supervisory approval of transaction logs within 45 days of the transaction cycle. Accounting will do a complete check of all purchases for each cycle to verify that all transactions are properly accounted for and reviewed. Each cardholder and manager has received additional training on changes in the policy.

Follow-up Conclusion

The Center has not fully complied with these recommendations.

The Center has revised their policy concerning purchases of supplies and services, which includes purchases made with a procurement card. The policy was finalized in September 2007; however, it had actually been implemented prior to that time. This policy requires supervisory approval prior to purchase. Each card holder and manager was provided with guidance (training) on changes in the policy. We selected and tested two procurement card purchasing cycles from May 2007. We reviewed 72 purchases made by 8 different cardholders and found 17 (24%) purchases that did not have documentation of prior approval by the cardholder supervisor as required. Also, we found one instance where an inappropriate purchase of computer equipment was made. Finally, the transaction logs used to track procurement card purchases were not reconciled by accounting department staff in a timely manner. As of September 25, 2007, transaction logs from June, July, and August of 2007 had not yet been reconciled.

Glossary of Acronyms and Terms

BICE	Biennial Internal Control Evaluation
Center	Mt. Pleasant Center
DCH	Department of Community Health
developmental disability	A severe, chronic condition that is attributable to a mental or physical impairment or a combination of mental and physical impairments; manifests before the individual is 22 years old; and is likely to continue indefinitely. This condition results in substantial functional limitations of major life activities.
ICF/MR	Intermediate Care Facility for Persons with Mental Retardation (ICF/MR)
mental illness	A substantial disorder of thought or mood that significantly impairs an individual's judgment, behavior, capacity to recognize reality, or ability to cope with the ordinary demands of life.
MMCAP	Minnesota Multistate Contracting Alliance for Pharmacy
mission	The agency's main purpose or the reason that the agency was established.
OAG	Office of Auditor General
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
PCP	Person Centered Planning
procurement card	A credit card issued to State employees for purchasing commodities and services in accordance with State purchasing policies.